Registered Charities Newsletter

No. 19 ***June 2004***

Contents

From the Director General 1
What's new 2
New charities representative position created 2
Charities Advisory Committee – Update 2
Information sessions – 2004 3
Reminder: Completing the T3010A 3
Facts and figures about charities and the CRA in 2003 3
The Budget and regulatory reform 3
Charities regulatory reform: Time line 3
Next steps for reform 4
Five areas of reform: 5
Improving services for charities and the public 5
Increasing public awareness and sector outreach 5
Improving monitoring of charities – Introduction of intermediate sanctions 6
Appeals process 6
Improving jurisdictional collaboration among federal, provincial, and territorial governments 6
Proposed Disbursement Quota changes 7
Did you know? 7
What is the difference between a registered charity and a non-profit organization? 7
Court news 8
Collège Rabbinique de Montréal Oir Hachaim D'Tash v. Minister of National Revenue 8
Policies 8
Upcoming draft policies: human rights, assisting ethnocultural communities, and public benefit 8
Contact information 9

From the Director General

In the Federal Budget delivered March 23, 2004, the government announced several new initiatives that will affect the regulation of the charitable sector. These initiatives bring dynamic changes that will benefit the sector by continuing to build public trust and confidence in charities and in the Canada Revenue Agency (CRA) as a regulator. This *Registered Charities Newsletter* provides an overview of those Budget announcements.

The Budget announced the most significant reform of the charities regulatory framework in more than 20 years. It outlined changes that involve five principal elements, as well as technical changes to the Disbursement Quota. This newsletter contains a brief discussion of these five elements, which are:

- improving services for charities and the public;
- increasing public awareness and sector outreach;
- improving the monitoring of charities;
- improving the charities appeals process; and
- working with federal, provincial, and territorial governments.

The reform measures, which were developed jointly with Finance Canada, respond to the Joint Regulatory Table (JRT) recommendations on improving the legislative and regulatory environment within which the charitable sector operates. For more details on the announcement, visit the Finance Canada Web site at: **www.fin.gc.ca/budget04/bp/topicse.htm** and click on "Charities."

As well as information on the Budget, this newsletter includes information on new communications initiatives being undertaken by the Charities Directorate. These include the introduction of a Charities Representative for a one-year trial period. The Charities Representative will act as an impartial, independent resource within the Charities Directorate, with whom charities can register their complaints and concerns about services.

In addition, as announced in the last newsletter, the Charities Directorate is moving ahead with a Charities Advisory Committee. More news concerning the structure of this committee is included in this newsletter. Establishing this means of ongoing

More Ways to Serve You!
Pour vous servir encore mieux !

Canada Revenue Agency | Agence du revenu du Canada

Canada

communication is a positive step towards enhancing dialogue between the charitable sector and government. It is also a key principle of the *Accord Between the Government of Canada and the Voluntary Sector*, signed in December 2001, along with the accompanying *Code of Good Practice on Policy Dialogue* published in October 2002.

If you have specific suggestions related to this newsletter, please contact us by e-mail at: charities-bienfaisance-bulletin@cera-adrc.gc.ca. For more information on how to contact us, see the section called "Contact information" on page 9 of this newsletter.

What's new

New charity representative position created

As of May 3, 2004, the Charities Directorate is providing a new resource person, the "Charities Representative."

The Charities Representative acts independently to address issues that, for one reason or another, could not be dealt with through existing channels. The Charities Representative is available to deal with:

- complaints about the level and quality of service;
- service standards that were not met;
- clients who do not feel they were treated in a fair, transparent manner;
- information requests from charities who need help to voluntarily comply; and
- other complaints of a general nature.

This new service option does not replace the present process. It supports and enhances service delivery by the Directorate. Clients may use this service after first trying to resolve their issues through the Charities Directorate's Client Assistance section, the individual dealing with their file or audit, or the appropriate Manager. It is also very important to note that the Charities Representative will not be in a position to reverse application decisions or other technical determinations. Such questions must be directed to the Manager/Director.

Clients can contact the Charities Representative at 1-866-303-0316 toll-free, or (613) 948-8608 in the greater Ottawa area or by e-mail at: charities-bienfaisance-resource @cera-adrc.gc.ca.

This initiative has been implemented as a pilot for a one-year period. At the end of this period, the Charities Directorate will assess its success and make changes and enhancements as required. The Directorate expects to learn more about the issues faced by charities, and hopes to use this information to make its overall services more effective.

If clients have an unsatisfactory experience with CRA service, they are urged to contact the Charities Representative. As always, your comments on this new service are welcome.

For additional information on the services being provided by the Directorate, please see the Charities Directorate Web site at **www.cra.gc.ca/tax/charities**.

Charities Advisory Committee – Update

On March 29, 2004, the Minister of National Revenue, Stan Keyes, announced the creation of an advisory committee on matters related to the Canada Revenue Agency's responsibility for the regulation of the charitable sector. The Charities Advisory Committee will provide advice and guidance to the Canada Revenue Agency (CRA) and promote communications between the CRA and the charitable sector.

Consultations undertaken over the last few years have repeatedly affirmed a strong level of interest within the voluntary sector for the creation of a Charities Advisory Committee. Most recently, in its report to Ministers, the Joint Regulatory Table (JRT) of the Voluntary Sector Initiative (VSI) recommended the creation of an advisory committee.

Minister Keyes described the new Advisory Committee as an excellent step forward. "We have to have a regular forum where we can discuss the developments, trends, and challenges facing the charitable sector. Improved dialogue will make for better CRA policies and programs, and will ensure that our policies are communicated effectively."

The Advisory Committee will provide a vehicle to: identify and discuss emerging issues and trends regarding regulatory oversight of the charitable sector; review compliance patterns and recommend enhancements; dialogue on our administrative policy development; and provide advice on developments and trends in the sector that may impact on CRA policies and programs.

Committee members

Following a nomination process that saw more than 100 interested people apply in response to a call for volunteers to serve on the Committee, and included a Nominations Committee composed of representatives from the government and the charitable sector, Minister Keyes appointed 12 members to the Charities Advisory Committee. Members were selected on the basis of their knowledge of laws and policies governing registered charities, their work experience in the sector, and their familiarity with the trends and issues faced by charities today. Sectoral and regional representation and multi-diversity were also important considerations in the selection process.

The 12 members of the Charities Advisory Committee are:

- Lois Hollstedt,
- Gordon Floyd,
- Laird Hunter,
- Bob Wyatt,
- Tad Brown,
- Catherine Cole,
- Carol Fitzwilliam,
- Kimberley Turner,
- Terrence Carter,
- Margaret Mason,
- Hilary Pearson, and
- Catherine Rowsell.

Co-chairing the Advisory Committee are Lois Hollstedt, who, along with all other Committee members, is from the charitable sector, and Maureen Kidd, Director General of the CRA's Charities Directorate.

Biographies of the 12 members of the Charities Advisory Committee are available at: **www.cra.gc.ca/tax/charities/cac/menu-e.html**.

Committee meetings

The Charities Advisory Committee will hold three meetings per year. Its first meeting took place in April 2004, with Minister Keyes attending the inaugural meeting. Reports of the activities and findings of the Charities Advisory Committee will be available on the CRA Web site.

Information sessions – 2004

The CRA is presently conducting information sessions (the "RoadShow"). For information on locations and dates, please visit the CRA Web site at: **www.cra.gc.ca/tax/charities/roadshow/menu-e.html**.

More information will be added as it becomes available. Please keep visiting our Web site for updated information.

If you have any comments or suggestions regarding the RoadShow, we would appreciate hearing from you. You can contact the RoadShow Coordinator either by e-mail at information.sessions@ccra-adrc.gc.ca, or by mail at:

RoadShow Coordinator
Charities Directorate
Place de Ville, Tower "A"
13th Floor
Ottawa ON K1A 0L5

Reminder: Completing the T3010A

When completing the T3010A, it is important to complete line 5000, "Total charitable programs expenditures included in line 4950," since this is the amount used to calculate the disbursement quota. In several cases, charities have left this line blank, and they have consequently appeared to be in a shortfall situation.

Facts and figures about charities and the CRA in 2003

In 2003, the Charities Directorate:

- received 108,004 phone inquiries on our toll free line;
- received 11,351 written requests for services from registered charities;
- received 3,207 new applications for registration as a charity;
- received 468 applications for re-registration as a charity;
- sent 515 letters to applicants advising them of the CRA's tentative view that they would not qualify for registration (charities may make further representations after receiving such a letter and may eventually be registered if they address the concerns raised in the letter);
- formally denied 33 applications (these applicants may appeal this refusal by filing a Notice of Appeal with the Federal Court of Appeal within 30 days from the time the letter was mailed);
- registered 2,774 charities (including both new registrations and re-registrations);
- revoked the charitable status of 788 organizations at their request;
- revoked 1,127 registered charities because they did not file their annual registered charity information return in the six-month period after their fiscal year-end;
- revoked six registered charities for cause (e.g., because their activities did not comply with the requirements of the *Income Tax Act*); and
- completed 356 audits of registered charities as a result of public complaints, random selection, or based on annual information returns.

The Budget and regulatory reform

Charities regulatory reform: Time line

The voluntary sector is often referred to as the third pillar of society (along with the private and public sectors), because it plays a vital role in improving the quality of life for all Canadians. The last decade has seen movement towards reforming the regulatory environment within which charities operate, in an effort to facilitate transparency and efficiency of regulation, while clarifying the regulatory responsibilities of charitable organizations. Over the last decade this recognition has taken place in the context of discussions concerning the role of the charitable sector as a partner of government and in communities, and the role of the federal government in supporting this role, in part

through regulatory reform. This process has had many stages. A time line, which describes the major events along the road, is included below.

Voluntary Sector Roundtable (VSR)

When: 1995
Who: thirteen national, umbrella voluntary-sector organizations
Why: to bring about collaboration in the voluntary sector on issues of common concern.

Panel on Accountability and Governance in the Voluntary Sector (the Broadbent Panel)

When: 1997
Who: led by volunteers appointed by the VSR
Why: had the goal of enhancing the effectiveness and credibility of the sector in its ongoing role of strengthening civil society
What: its final report, *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector* (1999), made 41 recommendations for the voluntary sector and for government.

The Joint Tables

When: 1999
Who: a joint Government of Canada-voluntary sector process
Why: explored three areas requiring strategic investment: building a new sector/government relationship, strengthening the voluntary sector's capacity, and improving the regulatory environment in which the voluntary sector operates
What: its final report entitled *Working Together: A Government of Canada/Voluntary Sector Joint Initiative* led to the work of the Voluntary Sector Initiative (VSI).

The Voluntary Sector Initiative (VSI)

When: launched June 2000
Who: a joint initiative between the Government of Canada and the voluntary sector
What: focused on strengthening the relationship between the sector and the government and enhancing the capacity of the voluntary sector; signed an Accord between the Government of Canada and the voluntary sector that sets out principles to guide the relationship between the two sectors and developed Codes of Good Practice to implement the Accord. For more information on the Accord and Codes go to **www.vsi-isbc.ca/eng/relationship/accord.cfm.**

Joint Regulatory Table (JRT)

When: November 2000 – March 2003
Who: convened under the VSI, with direct involvement by the Canada Revenue Agency (CRA)
Why: to study and make recommendations for improving the legislative and regulatory environment in which the voluntary sector operates
What: its report, *Strengthening Canada's Charitable Sector: Regulatory Reform*, released on May 5, 2003, offered 75 recommendations on how to improve charities regulation.

More information on this report and the VSI is available at: **www.vsi-isbc.ca**.

Regulatory Reform Package

When: starting in 2004
Who: developed by the Canada Revenue Agency (CRA) and Finance Canada
Why: goal of initiative is to improve the regulatory framework for charities, while increasing public and voluntary sector confidence in the regulation of charities
What: the CRA is moving ahead with preparing a comprehensive action plan to implement regulatory changes proposed in the 2004 Federal Budget. It also responds to commitments made in the speech from the Throne. Most of the JRT's recommendations will be implemented. The 2004 Federal Budget announced that $12 million per year has been allocated to improve the way charities are regulated.

Next steps for reform

The CRA has already taken action on some of the JRT's recommendations and implementing the principles of the Accord between the Government of Canada and the voluntary sector. For example, the CRA created the Charities Advisory Committee; the *Registered Charities Information Return* (T3010A) has been shortened from 13 pages to 4 pages; and the charities section of the CRA's Web site has been redesigned to make it more user-friendly.

Many other changes are expected to take place in the near future, including:

- launching a public education campaign to provide donors with the information they need to make informed decisions;
- providing additional information about charity policies and procedures on the CRA's Web site; and
- working more closely with the charitable sector to ensure charities understand, and are able to fulfil, their legal obligations.

Regulatory reform will focus on five areas:

- introducing service improvements to help charities register and report;
- providing more transparent and accessible information about registered charities to the public, and more accessible information regarding CRA policies, decisions, and regulatory requirements pertaining to registered charities;

- introducing a new compliance regime for charities, including new escalating sanctions that will be more appropriate than revocation for minor infractions;
- establishing a more accessible appeals regime; and
- improving jurisdictional collaboration among federal, provincial and territorial governments.

Each of the five main areas of regulatory reform is discussed below. Some of these changes will be introduced within a year while others are part of the longer-term plans for the Charities Directorate. More information on charities regulatory reform is available on the CRA Web site at: **www.cra.gc.ca/tax/charities**.

The discussion below is based on the changes proposed in the Federal Budget. Reference should be made to the relevant provisions when enacted into law.

Five areas of reform:

Improving services for charities and the public

Under the regulatory reform initiative, the CRA will be increasing the type and amount of information made publicly available. This will make it easier for charities to submit required information, and enhance the communication methods that charities and the public use to access this information.

Current practice prevents the Charities Directorate from disclosing the reasons for most of its decisions. This restricts the ability of the Directorate to communicate openly with charities and the public. It also limits the opportunity for registered charities to learn from previous regulatory decisions. Examples of information that will be available after changes are introduced include:

- charities that have been sanctioned under the new system;
- financial statements that are filed with annual tax returns;
- letters relating to the grounds for the annulment of a charity's registration;
- the reasons for all charity registration and revocation decisions;
- research used for decision-making; and
- information about special permissions or exemptions granted to individual charities.

The CRA will also expand its electronic services. Over the next several years, charities will be able to access the following services on-line:

- e-filing of annual returns;
- applications for registered status; and
- real-time interaction with CRA charities staff on issues including status inquiries, change of address, and information sessions.

Additional e-service opportunities will be explored to assist charities in meeting their regulatory obligations.

Increasing public awareness and sector outreach:

Public awareness

Few Canadians know that there is formal monitoring of charities, and even fewer know who is responsible for this monitoring. In addition, the fact that charities are regulated by two orders of government often causes confusion.

The CRA will soon be launching a campaign to clarify these roles and to inform Canadians that charities are being effectively monitored and that the vast majority of them abide by the law.

As part of this awareness campaign, the CRA will:

- raise its own profile as a reliable source of information about charities;
- educate donors about what to be aware of when giving to charity, how to confirm the status of a charity, and how to make a complaint about a charity;
- improve public access to information about registered charities, in part by requiring that charities include contact information for the CRA on their receipts; and
- report annually to the public on regulatory activities related to registered charities.

The goal of these activities is to increase public awareness about the role of the CRA in regulating charities, give greater confidence to donors that there is formal monitoring of charities, and encourage Canadians to give to charitable causes in which they believe.

Sector outreach

Registered charities have told the CRA that they need assistance in understanding the rules related to their charitable status, the criteria and process for attaining federally registered status, and how to complete their annual tax returns. As part of a sector outreach campaign, the CRA will expand its communication and educational activities to assist charities in understanding and following the rules and obligations associated with being a registered charity. In addition to the outreach campaign, the CRA will develop a Strategic Funding Program to provide funding for education on charities regulation in the sector, by the sector.

As well, the newly created Charities Advisory Committee will provide charities with a stronger voice in shaping the way in which charities are regulated. The Charities Advisory Committee will provide a vehicle to identify and discuss emerging issues and trends regarding regulatory oversight of

the charitable sector. It will also provide advice on developments and trends in the sector that may impact on CRA policies and programs. Other matters that the Committee will undertake include a review of the administration of sanctions, and the monitoring of the revised appeals process as it is implemented.

More information on the Charities Advisory Committee is included in the "What's new" section of this newsletter.

Improving monitoring of charities – Introduction of intermediate sanctions

Based on the JRT recommendation, the CRA is introducing intermediate sanctions. The harshness of the only penalty now available—revoking charitable status—makes it inappropriate in many cases. The introduction of intermediate sanctions will give the CRA a better alternative for dealing with minor infractions of already existing compliance requirements. By ensuring that appropriate sanctions are in place, we hope to increase public confidence in the way that charities are regulated and how donations are spent.

The new approach will begin by providing charity volunteers and staff with assistance in understanding the rules. When minor infractions are identified, the CRA will work with the charity, through a compliance agreement, to rectify the problem. These agreements will set out the concrete steps a charity must take to comply with the rules, as well as the consequences of continued infractions.

Revoking a charity's status will remain as the ultimate sanction for severe breaches of the *Income Tax Act*, including continued, repeated, or cumulative infractions. For less severe breaches of the Act, intermediate sanctions include small penalties, temporary suspension of receipting privileges, and partial loss of the tax-exempt status. Repeated infractions will result in escalating penalties.

To ensure that monies raised by charities remain within the charitable sector, changes will also be made to the revocation process to ensure that any remaining assets will be transferred to registered charities in good standing. Any monies collected from taxes and penalties that total more than $1,000 will also be redistributed to the charitable sector. This will ensure that funds raised for charity will continue to be applied to charitable purposes. The new sanctions program will apply for tax years that began after March 22, 2004.

This means that for a charity whose tax year end is on March 31, this program applies beginning with the tax year that runs from April 1, 2004, to March 31, 2005. For a charity whose tax year end is on December 31, this program will apply beginning with the tax year that runs from January 1, 2005 to December 31, 2005.

Appeals process

There is currently no formal process for the internal review of decisions made by the CRA pertaining to charities. To ensure fairness, consistency, and transparency in regulatory decision-making, an independent unit will be established within the CRA's Appeal Branch to provide internal reconsideration of:

- applications for charitable status that have been denied;
- revocations or annulments of charitable registration; and
- sanctions the CRA proposes to impose.

This will provide an initial means of review that is impartial, fast, efficient, and inexpensive. The results will be communicated to the organization in writing and made public on the CRA's Web site to ensure transparency.

As discussed above, part of the reform process will involve introducing intermediate sanctions. The reform of the appeal process will reflect this change. Appeals of taxes and penalties imposed by the CRA may be directed to the Tax Court of Canada. Appeals of decisions on registration and revocation of charitable status will continue to be directed to the Federal Court of Appeal. Appeals of decisions to annul the registration of a charity will also be directed to the Federal Court of Appeal. This system will allow disputed sanctions to be handled quickly, while ensuring that the Federal Court of Appeal continues to deal with questions about what constitutes a charitable purpose or activity. Information about the Court's decisions will be posted on our Web site.

Improving jurisdictional collaboration among federal, provincial, and territorial governments

Over the next five years, the CRA will initiate and build working relationships with provincial and territorial governments that seek collaboration on the regulation of charities. This could include identifying issues of mutual concern, and creating capacity to share information about compliance activities.

The CRA is also currently exploring opportunities to work with other levels of government to create joint education and public awareness programs, and to share information for enforcement purposes. Increased cooperation among jurisdictions will:

- provide opportunities for a more rigorous and client-centred response to the concerns of Canadians about charity regulation;
- cut down on duplication of effort;
- reduce confusion; and
- better address deceptive fundraising practices.

Proposed Disbursement Quota changes

The Federal Budget proposes several changes to the disbursement quota (DQ) for charities. These proposals include:

What? The DQ will be reduced from 4.5 percent to 3.5 percent per year on capital assets (assets not used directly on charitable activities) held by registered charities.

Why? The new rate will be more representative of historical long-term real rates of return earned on the typical investment portfolio held by a registered charity. This rate will be reviewed periodically to ensure that it continues to be representative of long-term rates of return.

What? Amendments will be made to allow charities to access capital gains realized on endowments to meet their disbursement requirements.

Why? The current rules do not permit registered charities to realize capital gains on endowments in order to meet disbursement obligations to fund charitable programs and services.

What? The DQ will be extended to include charitable organizations, so that all registered charities will be subject to the same disbursement obligations on their capital assets.

Why? The expansion of the DQ to include the capital assets of charitable organizations is a recognition of the growing number of charitable organizations that receive endowments.

Note: For charitable organizations registered before March 23, 2004, these rules will only apply for tax years that begin after 2008.

What? All transfers between registered charities other than specified gifts will be subject to a disbursement requirement. In particular, an 80 percent disbursement requirement will be applied to transfers to charitable organizations.

Why? Currently, funds received from other charities may be used to satisfy the DQ of the transferor charity. If the transfer is made to a registered charitable foundation, it is taken into account in calculating its DQ (at a rate of 80 percent for public foundations and 100 percent for private foundations). However, the receipt of these transfers is not taken into account when calculating the DQ of a charitable organization.

What? An endowment received by a registered charity from another registered charity will result in the same treatment as if the endowment had been received directly from the original donor.

Why? The present rules are an impediment to such transfers.

What? Gifts made by way of direct designation (the designation of the charity as the direct beneficiary of an RRSP, RRIF, or life insurance policy) will be treated as endowments for the purpose of the DQ rules. This means that such gifts will be subject only to the 3.5 percent DQ while they are held as capital, and the 80 percent disbursement requirement in the year they are liquidated.

Why? The current Disbursement Quota rules do not specifically deal with these gifts.

What? Endowments received and spent in the same year will be subject to the 80 percent disbursement requirement.

Why? Currently, endowments are subject to an 80 percent disbursement requirement to the extent that the registered charity expends the endowment in a year following the year in which the gift is received.

It is proposed that these measures apply to tax years that begin after March 22, 2004, except where otherwise indicated.

Did you know?

Q. What is the difference between a registered charity and a non-profit organization?

A. The *Income Tax Act* distinguishes non-profit organizations (NPOs) from registered charities. While both classes of organizations are all or partially tax-exempt, registered charities have the additional privilege of issuing official donation receipts to their donors. On the other hand, registered charities are publicly accountable through the CRA, and have to meet more stringent operational requirements.

Whether an organization is a registered charity or an NPO depends on its purposes and activities. Charities have a particular set of purposes—such as the relief of poverty, the advancement of education or religion, or other purposes that benefit the community—that the courts have recognized as charitable.

Under paragraph 149(1)(l) of the *Income Tax Act*, a non-profit organization is defined as "a club, society or association that, in the opinion of the Minister, was not a charity within the meaning assigned by subsection 149.1(1) and that was organized and operated exclusively for social welfare, civic improvement, pleasure or recreation or for any other purpose except profit, no part of the income of which was payable to, or was otherwise available for the personal benefit of, any proprietor, member or shareholder thereof unless the proprietor, member or shareholder was a club, society or association the primary purpose and function of which was the promotion of amateur athletics in Canada."

The Charities Directorate has the task of ensuring that the benefits of charitable registration are made available only to those organizations that are operating within the applicable provisions of the Act. The CRA's tax services offices are responsible for determining whether an organization qualifies as an NPO, which is an ongoing factual determination.

All registered charities must file an annual *Registered Charity Information Return*, Form T3010A. However, charities are exempt from filing an annual *Corporation Income Tax Return*, Form T2.

Under subsection 149(12) of the *Income Tax Act*, a non-profit organization may have to file the Non-Profit Organization (NPO) Information Return if it is:

- an NPO described in paragraph 149(1)(l); or
- an agricultural organization, a board of trade, or a chamber of commerce described in paragraph 149(1)(e).

It may also have to file other returns such as the T2, *Corporation Income Tax Return*, the T2 Short, or the T3 *Trust Income Tax and Information Return*.

However, it will only have to file the NPO information return if:

- it received or was entitled to receive taxable dividends, interest, rentals, or royalties totalling more than $10,000 in the fiscal period;
- the total assets of the organization were more than $200,000 at the end of the immediately preceding fiscal period (the amount of an organization's total assets is the book value of these assets calculated by using generally accepted accounting principles); or
- such a return had to be filed for a previous fiscal period.

When calculating whether or not the organization has to file the NPO return, only include the actual amount of dividends that your organization received or was entitled to receive.

Information for non-profit organizations is available in T4117, *Income Tax Guide to the Non-Profit Organization (NPO) Information Return*. Information may also be obtained by contacting the CRA's tax service offices at 1-800-959-5525 (English) or 1-800-959-7775 (Bilingual).

Court news

Collège Rabbinique de Montréal Oir Hachaim D'Tash v. Minister of National Revenue

Collège Rabbinique de Montréal Oir Hachaim D'Tash (the College) appealed the Minister's decision to revoke its charitable registration to the Federal Court of Appeal. In a judgment delivered from the Bench on March 9, 2004, the appeal was dismissed. Writing for the court, J.A. Nadon stated:

Even though the appellant was not given an opportunity to respond to some of the grounds put forward by the Minister in his Notice of Intention to Revoke dated March 3, 2000, we are nonetheless satisfied that there were sufficient grounds to support the Minister's decision, in respect of which the appellant was given full opportunity to put its case forward, namely that it had provided official donation receipts for amounts that were not "gifts" within the meaning of subsection 118.1(1) of the Income Tax Act, *that its resources were not all devoted to charitable purposes and activities, its failure to maintain proper records and books in accordance with subsection 230(2) of the* Income Tax Act, *that it made loans to nonqualified donees and that it made loans which were not considered to be operating at arm's length.*

The decisions of the Federal Court of Appeal are publicly available at: **http://decisions.fca-caf.gc.ca/fca/index.html**.

Policies

Upcoming draft policies: human rights, ethnocultural communities, and public benefit

Over the next year, the CRA will be developing draft policies for public consultation on several issues. When they are ready, draft policies will be made available on our Web site.

The Charities Directorate will soon make available consultation policy guidelines on the registration of applicants assisting ethnocultural communities in Canada. By developing clearer charitable registration guidelines, we hope to promote a better understanding of what types of organizations may be registered within the parameters defined by charity law and the *Income Tax Act*.

The Directorate will also be making available our new draft policy on public benefit. The issue of public benefit is at the heart of every application for charitable status under the *Income Tax Act*. We want to ensure that when applicants apply for charitable status they understand the basis upon which we make our decisions. Our guidance on public benefit will clarify the meaning of the term "public benefit" as we understand and apply it when we make our determinations under the Act. More information on both these policies will be included in the next issue of the charities newsletter.

The Charities Directorate's policy on the promotion of human rights as a charitable purpose is being reviewed at this time, and will also be available soon.

Individuals who have subscribed to our free electronic mailing list will be alerted when these policies are posted on the CRA Web site. Clients can subscribe to the Charities electronic mailing list from the CRA's Web site.

Contact information

The Charities Directorate

You can call us toll free at
1-800-267-2384 (English) or
1-888-892-5667 (bilingual).

You can also write to us at:

Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

You can contact us by e-mail for comments or suggestions:

- about the newsletter at:
  charities-bienfaisance-bulletin@cra-arc.gc.ca
- about the RoadShow at:
  information.sessions@cra-arc.gc.ca
- about draft policy documents posted for consultation at:
  consultation-policy-politique@cra-arc.gc.ca
- about the Web site at:
  Charities-Bienfaisance@cra-arc.gc.ca

You can contact the Charities Representative at 1-866-303-0316 toll-free, or (613) 948-8608 in the greater Ottawa area or by e-mail at: **charities-bienfaisance-resource@cra-arc.gc.ca.**

You can find all our publications on our Web site at: **www.cra.gc.ca/charities/**

Draft publications for consultation are available on our Web site at: **www.cra.gc.ca/tax/charities/consultation_policy-e.html**

For information on new additions about charities, see the "What's new" page at: **www.cra.gc.ca/tax/charities/whatsnew/whatsnew-e.html**

For an e-mail notification of these additions, subscribe to the free electronic mailing list at: **www.cra.gc.ca/eservices/maillist/subscribecharities-e.html**